

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MOTOR VEHICLE, Surcharge on Registration Fee for Electric Vehicles

BILL NUMBER: SB 409, SD-1

INTRODUCED BY: Senate Committee on Transportation

EXECUTIVE SUMMARY: Requires payment of an additional \$15 annual registration fee for electric, plug-in hybrid, alternative fuel, and hybrid vehicles to go to the state highway fund.

SYNOPSIS: Amends section 249-31, HRS, to provide that electric vehicles, plug-in hybrid electric vehicles, alternative fuel vehicles, and hybrid vehicles manufactured after 2018 shall pay an annual vehicle registration surcharge fee of \$15, which shall be assessed and collected for each described vehicle and shall be deposited into the state highway fund.

EFFECTIVE DATE: July 1, 2019.

STAFF COMMENTS: The motor vehicle weight tax and registration fees are user charges designed to recover the cost of construction and maintenance of Hawaii's highway system. It should be remembered that all motorists use the state highways and should, therefore, lend a hand in paying for good and safe roads.

A large part of the state highway fund, which is the primary fund paying for road and bridge repairs, maintenance, and new projects, comes from the state fuel tax. Fuel tax is currently applied only to fossil fuel, leading to the anomaly that electric vehicles, hybrids, and alternative fuel vehicles pay less or no fuel tax but still use and cause wear and tear on the roads. The bill attempts to address this by making such vehicles pay more in annual registration fees.

As a technical matter, the taxing and revenue disposition provisions are intermixed and unclear. It is also unclear whether the modifier "manufactured after 2018" applies only to hybrid vehicles. We suggest the following alternative wording:

§249-31 State registration fee. (a) All vehicles and motor vehicles in the State as defined in section 249-1, including antique motor vehicles, except as otherwise provided in sections 249-4, 249-6, and 249-31.5, shall be subject to a \$45 annual vehicle registration fee~~[.]~~;
provided that electric, plug-in hybrid electric, alternative fuel, or hybrid vehicles manufactured after

2018 shall pay an annual vehicle registration surcharge fee of \$15. The fee shall be paid each year together with all other taxes and fees levied by this chapter on a staggered basis as established by each county as authorized by section 286-51, and the state registration for that county shall likewise be staggered so that the state registration fee is due and payable at the same time and shall be collected together with the county fee. The state registration fee shall be deemed delinquent if not paid with the county registration fee. The respective counties shall collect this fee together with the vehicle registration tax collected for the county and shall transfer the moneys collected under this section to the State.

(b) From each annual motor vehicle registration fee, the director shall deposit ~~[\$40 into the state highway fund and]~~ \$5 per vehicle into the emergency medical services special fund~~[-]~~, with the balance to be deposited into the state highway fund."



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 19, 2019

TO: Senator Donovan Dela Cruz
Chair, Committee on Ways and Means

Submitted Via Capitol Website

FROM: Tiffany Yajima

RE: **S.B. 409, S.D.1 – Relating to Electric Vehicles**
Hearing Date: Wednesday, February 20, 2019 at 10:05 a.m.
Conference Room: 211

Dear Chair Dela Cruz and Members of the Committee on Ways and Means:

On behalf of the Alliance of Automobile Manufacturers (“Alliance”) we submit these comments in **opposition** of S.B. 409, S.D.1.

The Alliance is a trade association of twelve car and light truck manufacturers including BMW Group, Fiat Chrysler Automobiles, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche, Toyota, Volkswagen Group of North America, and Volvo Car USA.

S.B. 409, S.D.1 would establish an annual vehicle registration surcharge fee of \$15 for each electric vehicle, plug-in hybrid electric vehicle, alternative fuel vehicle, and hybrid vehicle manufactured after 2018 that is registered in the state. This \$15 surcharge would be assessed on top of the annual \$45 vehicle registration fee with proceeds directed to the state highway fund.

The Alliance opposes this bill because environmentally-friendly cars are targeted with an extra fee which is counterproductive to clean air goals and fossil fuel reduction targets. In addition, this surcharge is expected to generate minimal revenue for the state while creating a financial disincentive for consumers committed to driving an environmentally-friendly vehicle.

Automakers have invested substantially in advanced technology vehicles, including electric, plug-in electric, hybrid electric and hydrogen-powered vehicles, and have a large stake in ensuring consumer uptake of these vehicles. Data shows that education, consumer incentives, increased access to charging stations, and state fleet purchases are crucial to consumer adoption of these advanced technology vehicles. An annual vehicle registration surcharge fee creates a disincentive for early adopters of these vehicles at a crucial time when incentives need to be offered.

In addition, environmentally-friendly vehicles are more expensive than traditional powered vehicles and contribute more in general excise tax revenue than gasoline-fueled vehicles based upon the car's retail value. This additional fee would add to the annual cost of maintaining these vehicles while generating minimal revenue for the state.

Finally, the Alliance notes that this measure was amended in the S.D.1 to include PHEVs, hybrid electric vehicles and alternative fuel vehicles, in addition electric vehicles, in the category of vehicles subject to the annual vehicle registration surcharge fee. Plug-in hybrid electric vehicles and hybrid electric vehicles are fuel efficient vehicles that utilize gasoline. Drivers of these vehicles already contribute to the state highway fund through the gas tax and the inclusion of these vehicles in a vehicle registration surcharge fee would result in double taxation.

The Alliance supports the evaluation of transportation infrastructure funding and believes this should be treated as part of a complete review rather than singling out the very type of vehicles which should be incentivized to be adopted.

For these reasons, we respectfully request the committee to hold this measure. Thank you for the opportunity to submit these comments in opposition of S.B. 409, S.D.1.

SB-409-SD-1

Submitted on: 2/19/2019 9:48:48 AM

Testimony for WAM on 2/20/2019 10:05:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Noel Morin	Testifying for Big Island EV Association	Oppose	No

Comments:

Aloha,

Electric cars represent less than 1% of vehicles on our roads. They also represent an important part of our state's sustainability goals. This fee, while relatively small, will create an unnecessary barrier to adoption. Besides, electric car owners pay a premium to acquire their vehicles (reflected in the GE tax), some pay additional for the 'weight tax' (electric cars are heavier than comparably sized counterparts), and pay more for electricity (also a GE tax contributor).

I think that it is too soon to introduce this additional fee. I also think that the overall strategy might need to be reexamined to consider actual road use – shifting fees to take into account miles driven and vehicle weight might be a fairer means to determine a 'surcharge'.

Thank you,

Noel Morin

President - Big Island Electric Vehicle Association

**TESTIMONY BEFORE THE SENATE COMMITTEE ON
WAYS AND MEANS**

S.B. 409, SD1

Relating to Electric Vehicles

Wednesday, February 20, 2019
10:05 AM, Agenda # 43
State Capitol, Conference Room 211

Brennon Morioka
Director, Electrification of Transportation
Hawaiian Electric Company, Inc.

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee,

My name is Brennon Morioka and I am testifying on behalf of Hawaiian Electric Company Inc. and its subsidiary utilities Maui Electric Company, Limited and Hawai'i Electric Light Company, Inc. ("the Hawaiian Electric Companies") and would like to offer comments and concerns related to S.B. 409, SD1 Relating to Electric Vehicles.

S.B. 409, SD1 proposes to establish an annual hybrid vehicle, alternative fuel and electric vehicle ("EV") registration surcharge fee to be deposited into the state highway fund. This bill seeks to take steps to address some of the revenue shortfalls that electric vehicles and other alternative fuel vehicles have caused from their lack of contribution to the barrel tax. This is an important undertaking that will require a comprehensive solution in the future when electric vehicles comprise a larger proportion of total vehicles on the road. In short, the EV market is still nascent and such fees may actually discourage the adoption of these vehicles and the transition into clean transportation. Considering the overall EV market represents approximately one percent of the total registered vehicles in the state, applying this registration fee would likely only result in minimal revenue for the state.

The State Department of Transportation is currently conducting a study on alternative fee structures to recover revenues that could be equitably applied to all types of vehicles, including electric. The Hawaiian Electric Companies recommend that this effort continue to be supported to determine the most appropriate fee mechanism for this issue.

As one of the leaders in the state's clean transportation efforts, the Hawaiian Electric Companies remain committed to an EV strategy that is sustainable and helps create a bridge to a cleaner future.

Thank you for this opportunity to submit comments on S.B. 409, SD1.



LATE

TESLA TESTIMONY REGARDING SB 409, SD1

**being heard by the Senate Committee on Ways and Means
on Wednesday, February 20, 2019 at 10:05 AM
Room 211**

Aloha Chair Dela Cruz and Members of the Committee:

Thank you for the opportunity to provide testimony regarding SB 409, SD 1 which would establish an incremental registration fee to ensure that drivers of Electric Vehicles (EVs) and other alternative fuel and fuel-efficient vehicles contribute toward Hawaii's roadway maintenance budget. Tesla believes that all drivers should do their part to pay for Hawaii's roadways. SB 409, SD1, though not perfect, appears to strike a reasonable balance in addressing the challenge that increased fuel efficiency creates in circumstances where fuel taxes represent a primary ^{Late} source of funding for roadway maintenance.

Tesla's mission is to accelerate the world's transition to sustainable energy through the deployment of electric vehicles and sustainable energy products, like storage and solar. The transportation sector accounts for a significant share of the state's consumption of fossil fuels, and thus is a major contributor to climate change as well as local air pollution. Electrification of the transportation sector has a critical role to play in weaning the state off fossil fuels, particularly when paired with strong renewable energy goals, like those established in Hawaii. As the grid gets cleaner, so too does the electrified transportation fleet, which is increasingly powered by emissions-free renewable energy.

As noted by the Department of Transportation, as the fuel efficiency of vehicles increases, drivers will necessarily pay less in fuel taxes per mile traveled.¹ Addressing this through an incremental registration fee on fuel-efficient vehicles represents one approach to help offset these reduced collections. While we continue to believe that a more comprehensive review of this issue and alternative mechanisms to allocate cost responsibility to those that use the roadways the most would be appropriate, as an initial solution, SB 409, SD1, which proposes a \$15 incremental registration surcharge fee is not unduly punitive to electric vehicles.

We are especially gratified to see the amendments that expanded the fee to other clean vehicle technologies. This amendment reflects an understanding that the issue of reduced fuel tax collections is not about EVs per se, rather it is a function of increased fuel efficiency more generally and the associated impacts on fuel tax collection. It also ensures that the State, in attempting to resolve this issue, does not inadvertently put its thumbs on the scale in favor on one particular vehicle technology over another.

¹ See October 5, 2016 presentation by the Hawaii Department of Transportation, pgs. 4 and 6; Available for download at <https://hidot.hawaii.gov/wp-content/uploads/2015/04/HDOT-Road-User-Fee-Presentation.pdf>



We also support the amendment to apply the fee only to vehicles built after 2018. As a matter of principle, this is fundamentally fair. Households and businesses that purchased an electric vehicle prior to the passage of this legislation should not be subject to changes in the fees they pay after-the-fact since they could not have been expected to reasonably anticipate that they would be subject to such a fee when they made their purchase decision. This approach is also consistent with the approach taken in California with the passage of Senate Bill 1.²

With the amendments reflected in the current version of the bill, Tesla's principle concerns have been addressed. For this reason, Tesla removes its opposition to this measure.

Thank you for the opportunity to submit this testimony.

²See Section 9250.6 of the California Vehicle Code.

LATE

SB-409-SD-1

Submitted on: 2/19/2019 10:16:13 AM

Testimony for WAM on 2/20/2019 10:05:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Michelle Matson	Individual	Comments	No

Comments:

This is a tax that could be raised year-after-year. The legislature should not adopt fees that will discourage drivers from, and ultimately penalize drivers for, purchasing EVs - which greatly contribute Hawaii's global leadership in long-term clean energy and helping to combat climate change.

SB-409-SD-1

Submitted on: 2/19/2019 9:38:13 AM

Testimony for WAM on 2/20/2019 10:05:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
G Tom	Individual	Support	No

Comments:

SB-409-SD-1

Submitted on: 2/19/2019 9:32:46 AM

Testimony for WAM on 2/20/2019 10:05:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Stephanie Hall Morin	Individual	Oppose	No

Comments:

Adding additional expenses to EV registration will become a barrier to adoption. The perception that it's more expensive to drive an EV will not be a favorable one. Basing registration on miles driven is a more fair way of covering road expenses.

SB-409-SD-1

Submitted on: 2/19/2019 6:21:56 AM

Testimony for WAM on 2/20/2019 10:05:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Clayton	Individual	Oppose	No

Comments:

\$15 today - \$200+ in the future: that is the message this bill sends to people who are considering the purchase of an electric vehicle. The Federal tax credit is already going away for RV consumers, so now Hawaii wants to pile on taxes to address a perceived revenue shortfall?

I was previously under the impression that Hawaii wanted to promote a green, petroleum-free future - not slow it or shut it down by pulling yet another California-style regressive stunt that benefits the old money interests. Please demonstrate the courage of your convictions and find another source of revenue - such as gas-guzzling SUVs. If ever there was something to de-incentivize in the promotion of green energy, that would be it.

SB-409-SD-1

Submitted on: 2/19/2019 3:54:06 AM

Testimony for WAM on 2/20/2019 10:05:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Fernando L Alvarado	Individual	Comments	No

Comments:

It is important to ensure that all vehicles help "pay for the roads". The current reliance on a gas tax insulates EV owners from helping pay for roads. However, the current tax has the advantage that the tax paid is proportional to the miles driven, whereas a registration fee tax will not do that. For now it is probably the best way, and the proposed fee seems reasonable rather than punitive (we do NOT want to give a punitive signal). However, the legislature should consider switching ALL vehicles to such a system rather than singling out EVs. That and a modest "carbon tax" on gasoline and diesel fuel would probably be a more equitable way of covering the cost of road construction and maintenance.

SB-409-SD-1

Submitted on: 2/18/2019 11:24:24 PM

Testimony for WAM on 2/20/2019 10:05:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Richard Michaels	Individual	Support	No

Comments:

I support this bill with some reservation. I believe a small fee is appropriate but must be kept at a level that will not discourage the transition to electric vehicles.

SB-409-SD-1

Submitted on: 2/18/2019 10:32:59 PM

Testimony for WAM on 2/20/2019 10:05:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Cheryl Nakamura	Individual	Oppose	No

Comments:

Please do not penalize EV owners, we bought this vehicle to help increase the state's long-term clean energy plans, but by penalizing us, it makes it seem like you want people to buy vehicles that use fossil fuels.

SB-409-SD-1

Submitted on: 2/18/2019 10:10:02 PM

Testimony for WAM on 2/20/2019 10:05:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Robin Uyeshiro	Individual	Support	No

Comments:

As an electric vehicle owner, I support the additional registration fee for electric vehicles to offset the loss of gas tax revenue resulting from electric vehicles' non-consumption of gas. However, I would like to point out that a far larger loss of gas tax revenue probably results from the higher mileage of modern internal-combustion-engine vehicles and hybrid vehicles, since there are many more of those.

SB-409-SD-1

Submitted on: 2/18/2019 8:44:05 PM

Testimony for WAM on 2/20/2019 10:05:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ronald FitzGerald	Individual	Support	No

Comments:

Please support this Bill to support people who want to move to change to electric cars and trucks. As an EV owner I will be glad to pay my fair share of road repairs at \$15 per year, but oppose any measure that will over charge and penalize people from purchasing the more expensive electric cars and trucks in the future. If we want a green future please support this Bill.



LATE

Email: communications@ulupono.com

SENATE COMMITTEE ON WAYS & MEANS
Wednesday, February 20, 2019 — 10:05 a.m. — Room 211

Ulupono Initiative Opposes SB 409 SD 1, Relating to Electric Vehicles

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

My name is Murray Clay and I am the Managing Partner of Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally produced food; increase affordable clean renewable energy; and better manage waste and fresh water resources.

Ulupono opposes SB 409 SD 1, which establishes an annual electric and hybrid vehicle registration surcharge fee, because it discourages the use of more efficient, cleaner forms of ground transportation.

Electric vehicles (EVs) are an important avenue to address Hawai'i's pressing climate issues and align with the State's energy and environmental goals. The State should take a holistic approach to advance our energy and environmental goals, including a consistent demonstration of support for EVs, and should be cognizant of the negative impacts that this bill may cause.

EVs currently offer an effective option to progress clean renewable ground transportation and immediate benefits to Hawai'i:

- EVs can alleviate Hawai'i's high cost of living
- EVs provide immediate impact to reduce our dependence on fossil fuels and decrease greenhouse gas (GHG) emissions
- Hawai'i should be sending a message of support for EVs

EVs Can Alleviate Hawai'i's High Cost of Living

EVs are an increasingly affordable option for all. For example, the 2019 Nissan Leaf's average MSRP is \$33,095. After the Federal tax credit is considered, the purchase price is \$25,595, which is less than the best selling sedan in the country, the 2019 Toyota Camry. Attachment A to our testimony compares the purchase price of non-luxury EVs with top-selling sedans and the Toyota Tacoma (the top selling vehicle in Hawai'i).

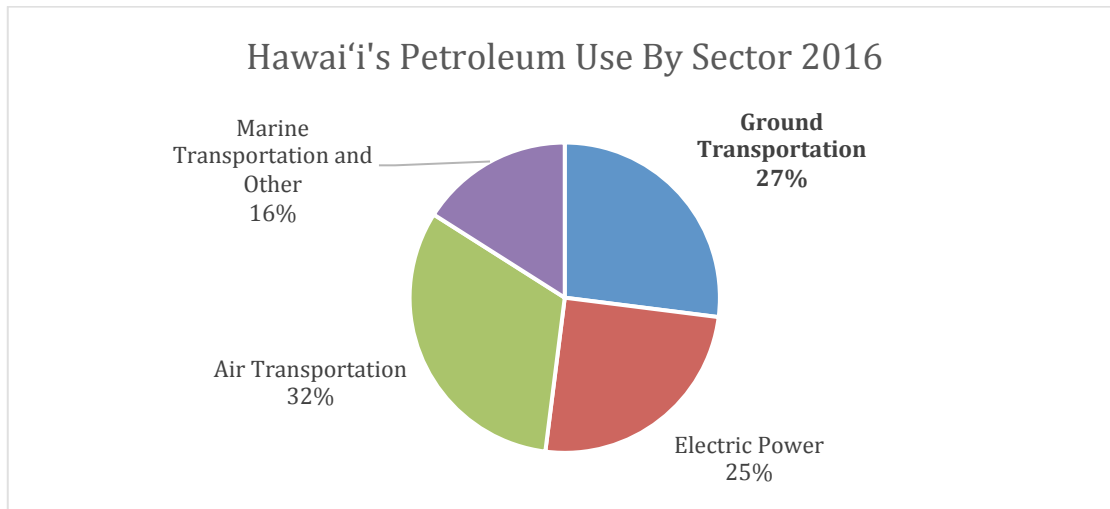
EVs are also cheaper to operate and maintain because they have less moving parts and are

Investing in a Sustainable Hawai'i

more fuel efficient. According to a recent study by the Union of Concerned Scientists, Honolulu drivers could save more than \$500 per year by switching to an EV.

EVs Provide Immediate Energy and Environmental Impact

Ground transportation alone utilizes more than a quarter of the state's imported petroleum. Electrifying ground transportation will reduce our demand for imported fossil fuels, keeping millions of dollars in the state and cutting harmful pollution.



Source: Hawai'i State Energy Office – Hawai'i Energy Facts & Figures

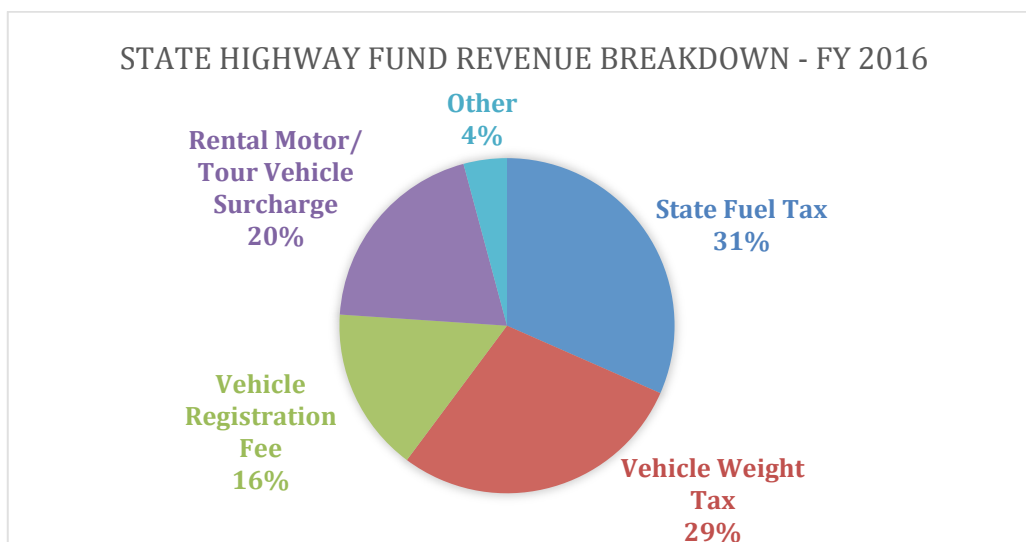
Converting from petroleum-based vehicles to EVs immediately reduces GHG emissions, helping combat climate change and its impacts on our islands. EVs produce zero-emissions at the tailpipe, and even when full lifecycle emissions (from manufacturing through disposal) are considered, EV emissions are approximately 50 percent lower than internal combustion engine (ICE) vehicles.

EVs can also support the integration of more renewables on the electric grid with smart charging technology and rate structures. Thus, proliferating EVs throughout Hawai'i can help accelerate progress towards the State's 100 percent renewable portfolio standard goal, as well as contribute to the State's Paris Agreement commitments and carbon neutral goal.

Hawai'i Should Be Sending a Message of Support for EVs

EV Market Is Too Nascent For Policies That Hinder Adoption

While we understand the Hawai'i Department of Transportation's (HDOT) desire to supplement lost fuel tax revenue from EVs and that drivers should pay their fair share for road use, we do not believe an EV registration fee is the right answer at this time. While EV adoption has shown impressive growth in Hawai'i, they currently represent less than one percent of all vehicles in the state. Hawai'i must encourage this still nascent market, and it is far too early in the adoption curve to start adding additional costs and barriers to EVs.



Source: Hawai'i Department of Transportation – Annual Financial Statements

EVs Currently Contribute To The State Highway Fund

As you may know, the State Highway Fund is comprised of revenue from the Fuel Tax, Vehicle Weight Tax, Vehicle Registration Fee, and Rental Motor Vehicle Surcharge. EVs already contribute to the State Highway Fund through the existing Vehicle Weight Tax and Vehicle Registration Fee. With 8,331 registered passenger EVs in the state (as of December 2018), only one percent of the State Fuel Tax's 31 percent, a mere 0.3 percent of the State Highway Fund, is affected by EVs.

Collectively, Policy Needs To Support EVs & More Efficient Vehicles

Most importantly, a new EV fee could send a message that the State is not serious about climate change and does not believe in EV's important role in advancing its sustainability goals. There are several proposed bills in the 2019 legislative session that are EV-related, including a bill seeking to reduce parking and other direct benefits for EVs. Combined, these bills would be detrimental to EV sales and supply. **In fact, recent research by the University of California Institute of Transportation Studies indicates that such bills could reduce EV sales by up to 20 percent.**

Alternatively, there are a number of proposed bills that show strong support for EV adoption, including a rebate/tax credit for investing in EV charging infrastructure. We implore the committee members to consider all of the bills holistically in light of the State's commitments to clean energy and the environment. By balancing bills that will hinder EV adoption with those that would support EVs, the State can build on the current momentum and signal to the market that we support clean transportation.

Recommended Amendment

If the Legislature is compelled to adopt this EV surcharge, one suggestion is to only do so IF other positive EV policies are passed that counter the negative implications of this bill and provide direct benefits to those choosing cleaner, healthier options for our community.

Therefore, the State's comprehensive EV policy will remain strong, align with the State's energy and environmental goals, and indicate to the market that Hawai'i is serious about accelerating EV adoption.

As Hawai'i's energy issues become increasingly complex and challenging, we appreciate this committee's efforts to look at policies that support clean ground transportation.

Thank you for this opportunity to testify.

Respectfully,

Murray Clay
Managing Partner